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FOOD FOR PEACE INFORMATION BULLETIN

FFPIB 16-01

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MEMORANDUM FOR ALL FOOD FOR PEACE OFFICERS

TO: USAID/W and Overseas Distribution Lists; FFP Awardees
FROM: DCHA/FFP, Matt Nims, Acting Director
SUBJECT: Award Requirements for Source and Origin of Local, Regional, and International Procurement (LRP)

I. Purpose:

With FFPIB 16-01, the Office of Food for Peace (FFP) establishes operational definitions of local, regional and international procurement for FFP awardees and identifies eligibility criteria for the source and origin of LRP commodities.

II. Background:

The current 2015 International Emergency Food Assistance Annual Program Statement (APS) defines regional procurement as, *the purchase of food commodities, including nutritional commodities, in a country other than the recipient of distributions, **which is listed on the DAC [Development Assistance Committee] list of ODA [official development assistance] recipient countries—and subject to FFP approval**—and provides advantages in cost, lead time, and/or quality over alternative procurement modalities.*

However, the Organization for Economic Cooperation and Development (OECD) DAC List is quite expansive, as it includes Least Developed, Other Lower Income, Middle Lower Income, and Upper Middle Income countries as long as they are still receiving ODA from OECD member states. Recently, FFP has observed an increase in the number of applications seeking to buy commodities from Lower Middle and Upper Middle Income countries, particularly countries in Central and Southeast Asia for distribution in Africa.

FFP reviewed source and origin data from awards along with current policies and award language to ensure that the program is achieving desired objectives both for improvements in

cost, time, and appropriateness and also in reinforcing markets for commodities produced within the regions where USAID works with specific reference to the African continent. The result of that review has been to set forth new operational definitions and requirements to reinforce procurement in developing countries, as outlined below.

Operational Definitions:

- **Source** – “means the country from which a commodity is shipped to the cooperating/recipient country or the cooperating/recipient country itself if the commodity is located therein at the time of the purchase...” (22 CFR § 228.01)
- **Origin** – means the country where a commodity is mined, grown or produced. A commodity is produced when, through manufacturing, processing, or substantial and major assembling of components, a commercially recognized new commodity results that is significantly different in basic characteristics or in purpose of utility from its components.”
- **Local Procurement** – The purchase of commodities sourced in the country where they will be distributed.
- **Regional Procurement** – For FFP purposes, this means purchase of commodities sourced within the same continent as the country where they will be distributed.
- **International Procurement** – For FFP purposes, this means purchase of commodities sourced outside the continent where they will be distributed.

Criteria:

A. What criteria are necessary to justify local and regional procurement for emergency response?

1. For all proposed LRP programs, FFP has a preference first for supporting markets impacted by the crisis and second for commodities produced near the crisis-affected area. See 22 CFR 228 for details on definitions. The order of preference for FFP is:
 - i. Local source and local origin
 - ii. Local source and regional origin
 - iii. Regional source and regional origin
 - iv. Local source and international origin – ***Requires FFP Director approval.***
 - v. Regional source and international origin – ***Requires FFP Director approval.***
 - vi. International source and international origin – ***Requires FFP Director approval.***
2. In general, the source and origin order of preference should serve as a baseline, but other conditions may serve as a basis for using a less preferred source/origin combination. These criteria should also be used to assess the desirability of LRP

vis-à-vis U.S. in-kind commodities and cash transfer programming modalities in accordance with the active Annual Program Statement (APS) for emergency food assistance.

- i. Appropriateness – Each applicant expecting to incorporate the LRP modality into the project design should exercise due diligence to determine that procurements will not have adverse impacts on source markets. If markets at any given tier of proximity cannot safely support procurement, proceed to the next level up. Note: There may also be situations where commodity distribution of any kind could negatively impact recipient country markets, in which case cash transfers or food vouchers should be the considered modality.
- ii. Cost Efficiency – Each applicant proposing LRP should include in its application either analysis of costs relative to U.S. in-kind commodities or document why U.S. in-kind commodities could not be used to respond (e.g., security conditions will not permit, genetically modified organism (GMO) restrictions). If an applicant proposes a choice lower on the source/origin order of preference, s/he must adequately document that the options at higher levels of priority are either insufficient to meet needs or not cost competitive with the option the applicant recommends.
- iii. Timeliness – An argument that LRP will reduce procurement lead time should only be invoked where conditions have deteriorated in ways that could not be predicted in time to plan for in-kind contributions. A pipeline break for a protracted crisis is not a strong basis to invoke timeliness as a justification for use of LRP commodities.

Other Considerations

B. Are there any other restrictions on local and regional procurement aside from source/origin? Yes, partners must procure from countries that are:

1. Listed under “Lower Middle Income Countries and Territories” or below on the OECD’s DAC List of ODA recipients unless the crisis is occurring in the same country. **Regional or international procurement from any upper middle income country or upper income country requires the FFP Director’s approval. For the FFP Director’s review and approval, awardees must work with the Agreement Officer’s Representative (AOR) for the award.**
2. Not on the U.S. Government’s list of foreign policy restricted countries.

C. Where does prepositioning fit into the order of preference?

In a rapid onset emergency, prepositioning should strongly be considered as one of the fastest response options available.

D. *Do LRP commodities have to have special branding and marking?*

Standard USAID requirements apply. Commodities should be properly marked with the USAID identity, or the awardee should submit a request for a branding and marking waiver properly documenting why it is not feasible and/or advisable in the operational context.

E. *Can WFP source from their Global Commodity Management Facility (formerly the Forward Purchase Facility) for an FFP award?*

Yes, but only if all of the conditions above have also been met. The source for WFP's FPF commodities is the country where the commodity was bought. The FPF regional hub does not qualify as a source for these purposes.

Note: FFP expects to review this policy annually.

III. FFPIB 16-01 Amendments/Modifications:

FFP may issue amendments/modifications to any FFPIB. However, subject to statutory requirements, the FFP Director may waive a particular provision in this FFPIB under extraordinary circumstances.